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Since 1947, the budgets have been organized according to a uniform pattern which now applies to all public bodies (communities under Kreis administration were exempted until 1948). Starting in 1949, special budget outlines were set up for social administrations, *Laender* and *Kreise*, communities with more than 10,000 inhabitants, and communities with less than 10,000 inhabitants. These various outlines were not deviations from the uniform budget pattern which had been established, but merely adaptations to the special requirements of public bodies at different administrative levels.

The budget law in effect through 1950 regulated limited areas of public finance. While it is true that the annual budget directives of the Main Administration for Finance of the German Economic Commission (now the GDR Ministry of Finance) promoted the standardization of budget procedures, these directives did not achieve complete uniformity of financial legislation.

A budget reform law went into effect with the beginning of the fiscal year 1951, i.e., 1 January 1951 (15 December 1950 Law Concerning the Reform of the Budget, *Gesetzblatt der DDR* [GDR Legal Gazette], p1 201). Through this reform, the entire field of budgeting became part of the economic planning of the state. The budget is just as much a part of the Five-Year-Plan as production and is geared to the Economic Plan.

The budget reform law stipulated that there was to be only one uniform state budget, which was to include the budgets of all state-financed agencies, from the central administration down to the smallest communities. It was to include also the budgets of institutions and corporations of public law to the extent determined by the budget law of the plan year in question. The social insurance budget also became part of the state budget, a step through which the government assumed all obligations toward the insured.

Changes also were made in the treasury system. As of 1 January 1951, all fiscal and tax offices in the GDR were closed and their functions transferred to the Deutsche Notenbank (German Bank of Issue). (1)

Financial Planning Under the Budget

Control figures (Kontrollziffern) to be set up are determined in the Economic Plan for the entire year. Planning in terms of monetary values (Finanzplanung) is carried out in conjunction with planning for quantity (Mengenplanung). The GDR State Planning Commission carries out the planning for the following year. In this connection, the control figures represent the quantities which the individual sections [of industry] are to produce or the monetary amounts which they are to invest. Most of this planning is done through the individual ministries concerned, on the basis of capacity figures and other figures which have been worked out, always within the scope of the Five-Year-Plan. Actually, a bitter fight is always waged for the control figures. For example, the fact that the 1952 state budget was not approved until the middle of the year was due to demands of higher offices (Soviet Control Commission, SED [German Socialist Unity Party] Central Committee), which made several changes necessary. The GDR Ministry of Finance was blamed for this late approval of the budget; in reality, however, completely different matters were involved, notably planning for "national armed forces."

To a large extent, the work of the Ministry of Finance consists of current control of receipts and expenditures. However, expenditures for the People's Police and for reparations are not accounted for in the usual manner, but obviously through trusted personnel (Vertrauensleute), so that no figures for these categories are ever published. (2)

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One of the most important functions of the Ministry of Finance in budget planning is the manipulation of plan figures for the budgets of the Kreise and communities. The measures carried out in this respect by the Ministry of Finance, under State Secretary Willi Rumpf, were at first looked upon as financial planning chaos by employees of the Ministry of Finance and by the Kreise. In reality, however, they are part of an ingenious scheme to bring about rigorous savings of funds which had previously been planned in the budget. This is done by constantly changing the budget plan for the Kreise. For example, the 1952 budget plan for the Kreise and communities was changed seven times. Since each change brought with it a reduction in the funds appropriated for the Kreise, and since the excess funds provided for in the preceding budget plan were considered eliminated in each new budget plan, the result was that the final approved budget plan gave the Kreise only a fraction of the funds which they were to have received under the original budget plan. The funds thus saved (Ruecklaufmittel) appear again in the budget as unbudgeted funds and are used again for the financing of other operations. Experts in the GDR Ministry of Finance are convinced that these manipulations are ordered from Karlshorst [headquarters of Soviet High Commission, formerly Soviet Control Commission].(3)

According to the directives issued by the GDR Ministry of Finance for drawing up the 1953 State Budget Plan the following were the main tasks of the 1953 budget:

1. To make available the large investment funds required for expansion of enterprises of the heavy machine building, mining, metallurgy, and electric-power industries.
2. To strengthen the bond between workers and farmers by granting extensive aid to the agricultural production cooperatives.
3. To finance the measures designed to improve the standard of living of the workers.
4. To finance national armed forces which are required to defend the accomplishments of the GDR, to assure the Socialist reconstruction of the GDR, and to maintain peace.(4)

[At no other time has there been any official public announcement about the establishment, financing, or operation of the national armed forces. The budget plan which was released did not include any figures for them, nor was there any mention of them in the accounting of the 1953 budget fulfillment.]

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II. INFORMATION ON BUDGET FULFILLMENT

Table 1. 1951 Planned and Actual Receipts (5)
(in 1,000 DM)

<u>Individual Plan Number</u>	<u>Title of Individual Plan</u>	<u>Planned Receipts</u>	<u>Actual Receipts</u>
01	People's Chamber	32.6	84.6
02	President of the Republic	1.0	--
03	Administration	11,533.3	13,449.9
04	Ministry of Foreign Affairs	255.3	833.9
05	Ministry of Interior	42,041.7	53,024.4
06	State Security [Service]	--	305.7
07	State Planning Commission	113,901.8	146,295.4
08	Ministry of Finance	1,121,508.6	1,345,481.2
[09	mitted in original]		
10	Ministry of Heavy Industry	495,020.8	534,663.5
11	Ministry of Machine Building	188,613.0	118,607.1
12	Ministry of Light Industry	223,984.0	230,415.5
13	State Secretariat for Food and Beverages	77,703.0	106,494.6
14	Ministry of Agriculture and Forestry	279,346.1	278,868.3
15	Ministry of Foreign and Intra-German Trade	42,864.0	49,349.3
16	Ministry of Trade and Supply	80,496.0	45,630.6
17	State Secretariat for Purchase and Compulsory Delivery of Agricultural Products	577.4	4,832.4
18	Ministry of Labor	82,959.3	73,012.7
19	Ministry of Public Health	277,937.4	284,742.5

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<u>Individual Plan Number</u>	<u>Title of Individual Plan</u>	<u>Planned Receipts</u>	<u>Actual Receipts</u>
20	Vocational Training	--	1.6
21	Social Insurance	4,171,829.4	4,143,699.1
22	Ministry of Transportation	68,326.4	141,012.3
23	Ministry of Postal Affairs and Telecommunications	220,902.9	215,213.9
24	Ministry of Construction	5,402.4	5,686.7
25	Ministry of Education	123,332.4	91,585.8
26	Ministry of Justice	56,971.2	49,181.8
27	Advanced Education System (Hochschulwesen)	13,779.8	12,830.7
28	Taxes	15,098,394.8	15,432,325.0
29	Previous Year	466,023.3	461,233.1
30	Financial Equalization (Finanzausgleich)	2,914,705.1	3,092,879.0
31	State Committee for Cultural Affairs	39,248.1	32,878.0
32	Literature and Publishing	--	24.0
	[Total]	[26,217,771.1]	[26,964,642.6]

1952 Budget Receipt Figures

The 1952 budget provided for total receipts of 26-28 billion DM. Of this total, 17,989,000,000 DM was to come from taxes, 4,106,000,000 DM from social insurance, and the remainder from other administrative sources (profits of people-owned industry and fines and penalties). Community taxes were not contained in the tabulation.

On principle, the budget provides for all (at least all DM East) receipts and expenditures, as well as all lawful receipts in DM-West (railroads). People's Police and reparations figures appear in the budget, even though disguised.

The 17,989,000,000 DM tax receipts are composed as follows: EO (Trade Organization) excise, 25.7 percent; ownership and transportation taxes from private firms (including SAGS), 25.1 percent; ownership and transportation taxes from people-owned industry, 19.8 percent; budget surtaxes, 15.3 percent; consumers taxes, 13.6 percent; penalties for delinquent tax payments, 0.27 percent; duty, customs, etc. 0.03 percent. [This adds up to 99.8 percent; the remaining 0.2 percent are not accounted for.]

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Up to 30 November 1952, tax receipts amounted to the following percentages of anticipated yearly revenue: Consumers tax, 101.3 percent; ownership tax from private industry, 97.0 percent; budget surtax, 93.3 percent; ownership tax from people-owned industry, 83.2 percent; HO excise tax, 73.5 percent; and social insurance, 93.4 percent. (6)

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Table 2. 1952 GDR Budget Receipts and Expenditures, 1 January-30 November 1952 (7)
(in 1,000 DM)

Individual Plan Number	Title of Individual Plan	Receipts		Expenditures		
		Sep 52	1 Jan - 30 Sep 52	Sep 52	1 Jan - 30 Sep 52	1 Jan - 30 Nov 52
01	People's Chamber	--	3	390	4,478	4,608
02	President of the Republic	--	---	636	2,356	2,429
03	Administration	942	11,230	24,498	154,379	257,626
04	[Ministry of] Foreign Affairs	10	392	2,632	11,059	11,227
05	State Administration and Internal Affairs	295	880	4,394	21,905	29,820
06	State Security [Service]	--	348	46,609	76,005	150,200
07	[State] Planning [Commission]	1,355	159,092	31,181	188,008	208,716
08	[Ministry of] Finance	84,176	352,394	78,990	319,402	531,350
09	Coordination of the Over-all Financial System	--	--	36	318	415
10	[Ministry of] Heavy Industry	1,569	20,318	88,012	504,459	585,708
11	[Ministry of] Machine Building	13,778	69,606	15,156	303,497	360,241
12	[Ministry of] Light Industry	42,750	184,471	8,668	54,842	57,189
13	[State Secretariat for] Food and Beverages	17,138	120,387	12,383	83,045	100,780

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14	[Ministry of] Agriculture and Forestry	20,594	53,604	83,540	515,036	607,468
15	[Ministry of] Foreign and Intra-German Trade	5,464	36,478	152,907	1,140,516	1,356,709
16	[Ministry of] Trade and Supply	7,659	26,480	2,455	7,764	12,610
17	[State Secretariat for] Purchase and Compulsory Delivery of Agricultural Products	1,564	32,530	79,225	1,168,890	1,422,481
18	[Ministry of] Labor	5	99	28,770	335,950	401,977
19	[Ministry of] Public Health	58,528	528,775	4,043	88,752	120,005
20	Vocational Training	7	316	1,390	17,175	22,771
21	Social Insurance	355,346	3,170,268	391,345	3,576,291	4,362,389
22	[Ministry of] Transportation	26,949	98,022	23,840	167,136	239,114
23	[Ministry of] Postal Affairs and Telecommunications	23,330	201,937	846	4,309	4,840
24	[Ministry of] Construction	226	9,109	20,992	153,596	178,278
25	[Ministry of] Education	908	6,425	25,390	161,441	193,591
26	[Ministry of] Justice	1,700	4,976	4,923	24,750	62,656
27	Advanced Education System	1,473	13,209	26,963	218,569	276,874
28	Taxes	1,449,154	12,926,076	--	--	--

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29	[State Committee for] State Control	1	25	1,404	10,707	18,254
30	Cultural Affairs	1,300	17,955	6,060	62,784	77,946
31	Literature	36	249	535	2,039	2,542
32	Coal and Electric Power	29,318	69,582	42,558	223,001	287,272
33	[State Secretariat for] Chemicals, Stones, and Earths	27,546	134,613	12,945	69,707	82,508
34	Investigations	1,407	11,256	10,250	78,143	97,657
35	Physical Culture and Sport	31	36	1,963	3,686	10,928
--	Finances	--	7,610	48,192	551,282	671,918
--	Finances	83,125	894,646	482,411	4,007,881	5,300,216
47	Research and Development	--	--	11,675	84,365	113,659
48	Investments	--	--	275,000	1,605,429	2,005,429
49	Previous Year and Excess Over Quota	--	326,538	--	--	--
50	Financial Equalization	495	6,042	284,291	2,301,475	2,872,710
	Total Receipts of the Republic:	2,258,159	19,495,986	2,338,301	18,304,431	23,102,954*
		[2,258,179]	[19,495,983]	[2,338,493]	[18,304,427]	[23,103,051]

[Note: The totals of the four columns are listed as they are given in the original. However, the columns actually add up to the totals given in brackets.]

*As compare with total receipts of 24,306,362, listed without breakdown.

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Recapitu-
lation:

Receipts	33,901.1	34,774.7
Expendi- tures	33,888.1	34,753.4
Excess of Receipts over Ex- pendi- tures in 1953	13.0	21.3
Surplus from 1952	1,010.7	1,009.9
Surplus at the end of 1953	1,023.7	1,031.2

*According to 1953 Plan
** Actual 1953 Figures

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Additional 1953 Budget Fulfillment Information

In 1953, receipts from the people-owned industry rose 30 percent over 1952. In 1952, the people-owned industry accounted for approximately 20 percent of the state budget receipts; in 1953, this figure rose to 23.5 percent.

In 1953, expenditures for expansion of the people-owned industry increased 22 percent over 1952 and amounted to 21 percent of all budget expenditures. Expenditures for social and cultural purposes and for public health increased 14.2 percent over 1952 and amounted to 34 percent of all budget expenditures.

In 1953, 1,452,000,000 DM were expended for reduction of internal debt, or 4.4 percent of total budget expenditures. Administrative expenses in 1953 were reduced 4.9 percent as compared with 1952, and the percentage of total budget expenditures for this item was reduced from 9.8 percent to 8 percent.

In 1953, total receipts from taxes increased 13.4 percent over 1952; total receipts from social insurance increased 9.4 percent.

1. People-Owned Industry

In 1953, costs per 100 DM worth of merchandise [at 1950, 1951, or 1952 plan prices?] produced were lowered from 93.90 DM to 92.60 DM, even though wages for wage groups I-IV were increased by 0.40 DM per 100 DM production. Thus, the cost reduction to 92.75 DM, called for by the plan, was surpassed.

In 1952, contributions to the director's funds out of the profits of the enterprises amounted to 224 million DM; this was increased to 379 million DM in 1953, an increase of approximately 70 percent. For each worker employed, the plants of the people-owned industry in 1953 contributed 214 DM to the director's funds and spent 180 DM for social, cultural, and health improvements.

2. People-Owned Wholesale Trade

In 1953, the people-owned wholesale trade was unable to lower [overhead] costs over 1952. [Overhead] costs in 1951 had been 5.50 DM per 100 DM worth of goods; in 1952, they had been 5.00 DM; and in 1953, [overhead] costs rose again to 5.40 DM per 100 DM worth of goods. This was not as good as the plan had called for. However, despite the fact that the goods turnover plan was fulfilled by 104 percent, only 99 percent of the wage funds were spent. This proves that excess wage payments were not the cause for the rise in [overhead] costs.

Since 25 percent of the entire goods distribution costs are pure transportation costs, much of the blame for the higher costs must be attached to the fact that goods manufactured in the GDR are distributed in a wasteful manner. Thus, goods are not always sent to the consumer from the nearest supplier but are frequently shipped from far away, while goods produced nearby are sent to consumers in other parts of the country. This system, of necessity, increases the length of time necessary for the turnover of goods, with the result that stocks on hand at people-owned wholesale trade organizations increased from 600 million DM [in 1952] to 960 million DM during 1953. The time required for the turnover increased to 50 days in 1953, compared with 40 days in 1952.

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3. People-Owned Retail Trade

Similar conditions prevail in the retail trade. Here, too, the costs for the turnover of goods and the time required for the turnover increased in 1953. While turnover increased by 6 percent in 1953 over 1952, stocks of saleable goods increased 26 percent in the same period.

In spite of the demands of the population for a greater assortment of goods the additional goods which were available simply never reached the sales counters at the retail stores but remained at reserve depots, warehouses, etc.

4. Agriculture

Expenditures for agriculture increased 21 percent from 2,750,000,000 DM in 1952 to 3,327,000,000 DM in 1953. Monetary income of the farmers in 1953 increased more than 300 million DM over 1952, mainly because of lower delivery quotas and the elimination of taxation on goods produced in excess of quotas. Additional funds, totaling more than 200 million DM, were allocated from the public treasury during 1953 for improving the capacities of the MIS (Machine Tractor Stations) and [to make up for changes in] fees charged by them. Altogether, the funds made available to agriculture increased 83 percent during the period 1951-1953.

5. Taxes

Tax receipts in 1953 from the people-owned industry were 192 percent of those of 1950, and tax payments of cooperatives were 175 percent of the 1950 payments without any increase in tax rates. Tax receipts from private industry reached the same amount as in 1950, despite the tax reductions decreed since then. In the second half of 1953, a total of 8,369 more trade enterprises paid taxes than in the first half of the year. In 1953, tax payments of craftsmen increased 20 percent over those of 1951. Tax payments of private agriculture were reduced by 20.4 percent since 1951; this was due to a change in assessment policies and the elimination of taxes on products produced in excess of delivery quotas. Despite the tax reduction, receipts from wage taxes rose 10 percent over 1952 and, because the increases in the number of workers and in wages, increased 41 percent over those of 1950.

The amount of delinquent taxes outstanding at the beginning of 1953 was cut in half during the year [no figures given].

6. Expenditures for Social and Cultural Purposes and Public Health

In 1953, expenditures in these fields increased 14.4 percent over 1952 and amounted to 34 percent of the total budget expenditures.

During the last 3 years, expenditures for public education, science, and culture increased from 1,752,000,000 DM to 2,661,000,000 DM. Expenditures per pupil in the school system during 1953 were as follows [1952 expenditures in parentheses]: Elementary schools, 311 (262); secondary schools, 1,134 (949); vocational schools, 239 (153); technical schools, 3,800 (2,924); and colleges, 6,058 (5,229). Of the 1953 students, 95.5 percent received financial assistance compared with 89 percent in 1951.

Social welfare expenditures increased from 4,588,000,000 DM in 1952 to 5,408,000,000 DM in 1953, an increase of 17.9 percent in the year and 32 percent since 1951. In 1953, social insurance pension payments increased 5.5 percent over 1952; the increase in such payments over the last 3 years was 15 percent. The number of persons on pension in 1953 was 1.8 percent larger than in 1952 and the average monthly pension increased 3.6 percent.

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In 1953, expenditures for homes for the sick and aged increased 10 percent over 1952. Expenditures per home inmate increased from 1,286 DM to 1,442 DM over the last three years.

Expenditures for industrial safety measures were doubled during the last three years [no figures given]. Budget expenditures for public health were 6.2 percent larger in 1953 than in 1952; the increase in expenditures over the last 3 years was 21.7 percent.

7. Budgets at Local Level

Expenditures of local organs (Kreise, cities, communities) amounted to approximately 5,550,000,000 DM in 1951 as against 6,055,000,000 DM in 1952 and 6,830,000,000 DM in 1953. Of these expenditures, the percentage of the respective total expenditures spent by Kreise, both rural and urban, rose from 26.4 percent in 1951 to 65.5 percent in 1953. In 1953, receipts from the people-owned industry accruing to local budgets increased 64 percent over 1952 and the percentage of this type of receipts in relation to the total local budget receipts increased from 9.7 percent to 14.3 percent. (8)

Miscellaneous Budget Figures

[In the following statistics, the 1951 and 1952 figures refer to actual results; the 1953 figures refer to the revised 1953 budget plan; and the 1954 figures refer to the 1954 budget plan.]

Total state budget receipts (in percent of 1951 receipts): 1952, 116.9; 1953, 134.8; 1954, 140.9.

State budget receipts from people-owned industry (in percent of 1951 receipts): 1952, 133.5; 1953, 166.3; 1954, 231.1.

Percentage of total budget receipts contributed by people-owned industry: 1951, 18.6; 1952, 21.3; 1953, 23.0; 1954, 30.6.

Percentage of total budget receipts obtained from taxes: 1951, 56.2; 1954, 47.9.

Percentage of total state budget expenditures allocated to people-owned industry: 1951, 15.1; 1952, 19.6; 1953, 19.4; 1954, 16.9.

State budget expenditures for public education, science and culture, public health, youth and sports (in percent of 1951 expenditures): 1952, 111.0; 1953, 129.2; 1954, 137.1.

State budget expenditures for the development and promotion of agriculture (in percent of 1951 expenditures): 1952, 179.5; 1953, 199.5; 1954, 238.1. (9)

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Table 4. People-Owned Industry's Share in the GDR State Budget (10)

<u>Year</u>	<u>Percent of State Budget Receipts</u>	
	<u>Obtained from People-Owned Industry</u>	<u>Obtained From Taxes Paid by Population</u>
1949	2.90	[not given]
1950	9.58	[not given]
1951	12.97	55.3
1952	15.20	52.0
1953 (plan)	24.40	50.6

[No breakdown of the remainder of the state budget receipts given.]

State Budget Expenditures (in billion DM)

<u>Year</u>	<u>For People- Owned Industry</u>	<u>For Labor, Social Welfare, and Public Health</u>	<u>For Education, Culture, and Science</u>
1951	2.9	5.8	1.7
1952	5.3	7.3	2.3
1953 (plan)	6.2	8.2	2.7

Table 5. Budget Expenditures for the Advancement of Youth Activities (11)
(in million DM)

<u>Purpose</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953 (plan)</u>
Equipment for schools	--	--	18	18	--
Correspondence courses	--	--	1.5	6.3	--
Local vacation programs	--	--	16	32.1	36
Pioneer houses	--	--	4.6	6.1	11.5
Youth homes and social rooms	--	--	11.1	10.4	10.9
Kindergartens	--	--	70	99.9	135.6
Vocational schools	--	--	111.4	133.4	183
Sports installations	--	--	11.3	12.6	20.1
Financial assistance to students	39	67	131	192.8	260

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The total expenditures planned for financial assistance to students during 1953 represent an increase of 660 percent over the total expended during 1949, compared with an increase of 300-350 percent in the number of students over the same period.(11)

GDR Budget Expenditures for Cultural Purposes

Cultural expenditures in 1950 amounted to 1,384,000,000 DM, or 80 DM per capita; planned expenditures for 1954 rose to 3,173,000,000 DM, or 171.51 DM per capita, an increase of 129 percent. For 1953, total expenditures amounted to 2,661,000,000 DM; thus, the planned increase from 1953 to 1954 is 11.9 percent.

The 1953 budget allocated 102 million DM for theaters; for 1954, 109 million DM are earmarked for that purpose.

The 1954 budget provides 49.8 million DM for sports.(12)

III. TAXATION

Budget Surtax Information

In principle, there are two types of surtaxes. One is obtained from the difference in the wholesale price charged by the private manufacturer and the state-controlled wholesale purchase price. This difference is termed the equalization sum and must be remitted to the GDR treasury. The purpose of this surtax is the creation of a uniform price system, based on the state wholesale trade purchase prices, and the creation of uniform sales conditions for goods from both the private and people-owned industries.

The second type of surtax consists of the difference between the uniform wholesale trade purchase price plus the approved trade mark-ups, and the HO [trade organization] prices.(13)

The budget surtax serves the following functions:

1. It uses up part of the new value (Neuwert) in excess of the wage funds which was created in the production process.
2. It affects production, particularly if tied in with the financial interests of the producing enterprises. For example, by adding a budget surtax to certain raw materials, the resultant price of such raw materials will be such that production enterprises will have a financial interest in using substitute products instead of the ones to which the surtax has been added, or else the enterprises can be induced to change production in a manner which the state deems desirable. Thus, the surtax may be used to force through changes in production or production methods.
3. Finally and, perhaps, most importantly, surtaxes help in regulating the consumption of goods and in bringing about the desired ratio between purchasing power and goods offered for sale. This latter fact is considered important, since planned economic development demands correct price [-purchasing power] relations. This makes it important in the case of consumer goods to balance the purchasing power of the population with the available merchandise. Surtaxes on various types of goods are an important means of establishing this balance.(14)

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Budget Surtax Regulations

Budget surtaxes are used to determine the price of goods which have a special circle of purchasers, i.e. DIA (Intra-German and Foreign Trade Enterprise), DZ (German Trade Center), and the consumer cooperatives. The prices of HO stores are not computed by this method; special regulations for HO stores are given in a separate paragraph.

The equalization sum (Egalisierungsbetrag), also called preliminary or small excise tax, is calculated as follows:

[Uniform] wholesale purchase price (GEP, Grosshandelseinstandspreis), minus

Producers sales price (SAP, Handelsabgabepreis), equals

Equalization sum

The budget surtax is calculated as follows:

1. [Uniform] wholesale purchase price (GEP), plus
Wholesale trade markup (GHS, Grosshandelsspanne), or 15 percent of GEP,
equals
Wholesale sales price (GAP, Grosshandelsabgabepreis).
2. [Uniform] wholesale purchase price (GEP), plus
Wholesale trade markup (GHS, or 15 percent of GEP), plus
Retail trade markup (EHS Einzelhandelsspanne), or 20 percent of GAP,
equals
Total A [not further identified].
3. [Uniform] general consumers price (AVP, Allgemeiner Verkaufspreis, or VEP, Verkaufseinheitspreis?), minus
Total A, equals
Budget surtax.

There are also some fixed budget surtax rates; however, these apply only to certain commodities (for example, cleansers, brown coal, and fuel). These rates are also fixed by the Ministry of Finance.

Budget surtaxes must be paid upon sale or use of an item by the producer or upon bringing the item into circulation in any other manner (including theft, gift to plant member, etc.).

The following must remit budget surtaxes: all DZ branches; all stores of the Association of German Consumer Cooperatives; manufacturing enterprises (in the case of some items, such as brown coal, milk products, vinegar, and cleanser); GSOVG (Central Supply Office of Group of Soviet Occupation Forces in Germany); HO stores; Stores serving Wismut AG [HO Wismut?]; and "Intourist" GmbH (Soviet travel agency, which runs all Soviet hotels).

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Special Regulations for HO

The producers sales price (HAP) plus the wholesale and retail markups result in the normal trade price (HUEP, Handelsueblicher Preis) or the general consumers price (AVP). The State Planning Commission and the Ministry of Finance determine the HO prices. The budget surtax for HO consists only of the difference between the general consumers price and the HO sales price.

The HO deposits its budget surtaxes daily in its blocked excise account at the nearest local branch of the Deutsche Notenbank. However, these daily deposits are held to be merely advance payments; a final accounting is made once a month.(15)

A directive by the GDR Ministry of Finance, dated 27 November 1952, provides that all private manufacturing firms become tax debtors in all cases where they deliver goods, which would be subject to surtaxes if sold in HO stores, to any but the following: DEZ, HO, or Association of German Consumer Cooperatives.

Before this directive, the same goods frequently were sold at HO stores with excise tax added to their price and through the rest of the retail trade without this added excise tax, thus making it easier for private trade and industry to find a market for their goods.

This directive caused confusion and difficulty in selling goods, particularly with regard to fixing of prices, since it did not explain the basis for computing trade markups for private industry and trade.(16)

Collection of Tax Arrears in the GDR

The GDR considers the collection of back taxes a particularly vital project. All conceivable measures are adopted to collect these taxes.

The tax departments of the SED Kreis administrations and the Kreis and city councils are given oral instructions which are not for general publication. According to these instructions, all efforts are to be made to eliminate certain categories of private industrial and trade enterprises and have them taken over by the HO or the consumers cooperatives. Therefore, as soon as it is determined that a private industrial or trade enterprise owes back taxes, the following procedure is adopted: The private enterprise is given orders to pay its back taxes within a very short time (for example, five days), under threat of forced collection.

If, despite all the tax debtor's efforts to reduce the tax debt, the tax debtor is unable to pay all his back taxes in a lump sum within the time period specified, this is considered inability to pay and bankruptcy proceedings are instituted against the tax debtor. However, no regular referee in bankruptcy is appointed by the bankruptcy court in such a case; rather, the tax department nominates an SED party member, whose job it is to force through the bankruptcy proceeding as quickly as possible (maximum time is 3 weeks). The result of this is that the entire business is sold pro forma to the people-owned industry which, of course, does not actually have to tender the purchase price. After this step, the tax arrears are written off the books by the tax office, and another private enterprise has been eliminated.(17)

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IV. INSURANCE

A decree of the GDR Council of Ministers, dated 6 November 1952, set up the DVA (Deutsche Versicherungsanstalt, German Insurance Office) by joining the five former people-owned insurance offices (one from each of the old Laender). Through efficient operation of the DVA, it was possible to realize profits, which were channeled back into the budget.

Below are some figures showing the development of various types of insurance over the last 5 years. The figures are index figures, with 1950 considered as 100; the 1953 and 1954 figures are planned figures.

<u>Life Insurance</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>
Number of members	129	157	189	221
Yearly premiums paid	138	173	217	261
<u>Livestock Insurance</u>				
Number of members	121	152	190	260
Yearly premiums paid	126	173	209	285
<u>Household Equipment Insurance</u>				
Number of members	112	122	129	138
Yearly premiums paid	111	123	129	139
<u>Burglary-Theft Insurance</u>				
Number of members	102	104	107	105
Yearly premiums paid	86	78	77	70

Taking all branches of insurance together, a comparison between the plans for 1950 and 1954 shows that the total amount of premiums paid has increased 31.4 percent during that time.(18)

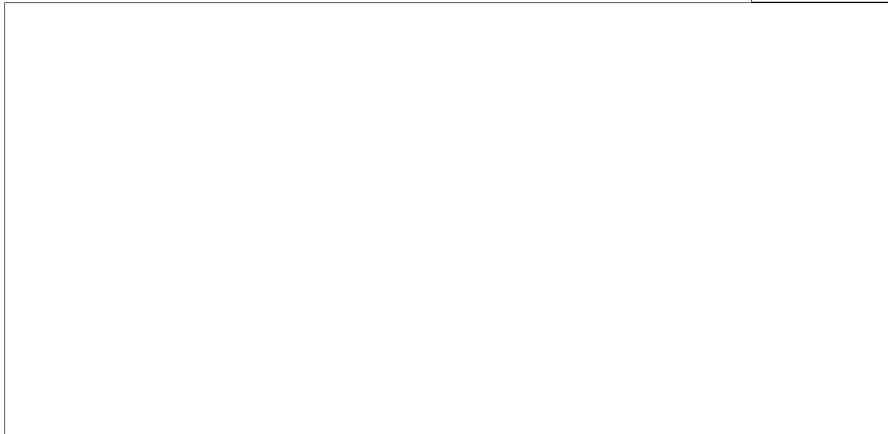
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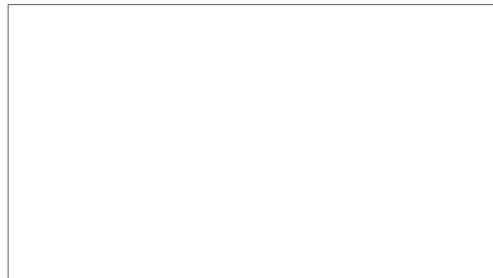
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